TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 218 – HB 1081

February 12, 2017

SUMMARY OF BILL: Deletes the authorization to charge monitoring inspection fees applicable to each new manufactured home built in this state.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - $589,400/Manufactured Housing Fund

Other Fiscal Impact – According to the Department of Commerce and Insurance, the Division of Fire Preventions collects approximately $24,100,000 in recurring revenue from various other sources. Revenue from these other recurring sources can be reallocated to offset the recurring loss of inspection fee revenue.

Assumptions:

- Pursuant to Tenn. Code Ann. § 68-126-211, and under the Uniform Standards Code for Manufactured Homes Act, the Department of Commerce and Insurance (TDCI) is statutorily obligated to inspect all factories, warehouses, establishments, or locations in this state in which manufactured homes are manufactured, sold, leased, or distributed. The State acts exclusively as the In-Plant Primary Inspection Agency (IPIA) for HUD.
- Manufacturers are required to pay inspections at rates determined by the Secretary of the Department of Housing and Urban Development (HUD), which are currently set at $40 per inspection hour, $30 per floor on which a HUD label is attached, plus any costs to reimburse an inspector for reasonable and necessary expenses incurred to conduct inspection services in excess of those required by the *Act*.
- Revenue collected by conducting inspections, including HUD label fees and expense reimbursements, is deposited in the Manufactured Housing Fund (MHF) created pursuant to Tenn. Code Ann. § 68-126-406(c) and is utilized to fund regulatory activities pertaining to manufactured homes. Funds deposited in the MHF do not revert to the General Fund at the end of the fiscal year. Inspectors are permanent employees of the TDCI, and their salaries are not contingent on the amount of fee revenue collected.
- In FY15-16, the Division of Fire Prevention (DFP) collected $589,410 from these inspections. This number is assumed to remain constant in subsequent years under current law.

- The recurring decrease in state revenue from the MHF is estimated to be $589,410.
- There will be no corresponding decrease in inspector positions, as the DFP will be required under federal law to continue the inspection of new manufactured homes.
- According to the TDCI, the final balance of the MHF for each of the past three years has been zero, and each year necessitated allocation of funds from other sources within the State Fire Marshal's Office.
- According to information provided by the TDCI, there are other recurring sources of funds totaling approximately $24,100,000 available from 46 other types of revenue within the State Fire Marshal's Office that may be used to offset the recurring decrease in inspection fee revenue totaling $589,410 as a result of this bill. It is assumed that the TDCI will not be required to increase any other taxes or fees to offset the recurring decrease in revenue that will occur from no longer being able to charge the monitoring inspection fees.

IMPACT TO COMMERCE:

Decrease Business Expenditures - $589,400

Assumption:

- Businesses that produce manufactured homes will experience a recurring decrease in business expenditures of $589,410 per year.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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